

Message Text

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AMEMBASSY BONN
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY LONDON
AMEMBASSY LUXEMBOURG
AMEMBASSY THE HAGUE
AMEMBASSY MADRID
AMEMBASSY VIENNA
AMEMBASSY OTTAWA
AMEMBASSY CANBERRA
AMEMBASSY HELSINKI
AMEMBASSY OSLO
AMEMBASSY STOCKHOLM
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SUBJECT: SECOND SESSION OF THE PREPARATORY COMMISSION (PREPCOM)
OF THE INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT (IFAD),
ROME DECEMBER 13-15, 1976

1. SUMMARY: ALTHOUGH THIS WAS NOT AN AGENDA ITEM, CONSIDERABLE
ATTENTION WAS FOCUSED ON THE SITE/PRESIDENCY QUESTION

(SEE SEPTTEL). AMONG THE AGENDA ITEMS, THE SECRETARIAT PAPER ON LEADING CRITERIA AND GUIDELINES RESULTED IN A WIDE RANGING DISCUSSION OF IFAD'S MAJOR GOALS WITH GENERAL CONSENSUS EMERGING ON THE IMPORTANCE OF BOTH INCREASED PRODUCTION AND SOCIAL JUSTICE ALONG THE LINES OF USDEL PRESENTATION. OTHER AGENDA ITEMS INCLUDED THE PRECOM'S BUDGET, THE PRECOM'S STAFF AND FINANCIAL REGULATIONS, THE DRAFT RULES OF PROCEDURES FOR IFAD'S GOVERNING COUNCIL AND EXECUTIVE BOARD AND THE DRAFT RELATIONSHIP AGREEMENT WITH THE UN. DISCUSSION OF THIS LAST ITEM CENTERED PRIMARILY ON THE NEED TO MAINTAIN IFAD'S FINANCIAL INTEGRITY AND INDEPENDENCE FROM OUTSIDE INFLUENCES. ISSUES RE THESE OTHER ITEMS WERE GENERALLY RESOLVED ALONG LINES FAVORED BY USDEL. END SUMMARY.

2. /STATUS OF FUNDING./ AS REPORTED IN ROME 20243, TOTAL CONVERTIBLE PLEDGES TO IFAD WILL AMOUNT TO APPROXIMATELY \$1,011 MILLION INCLUDING UNGA APPROVAL OF TRANSFER TO IFAD OF SOME \$20 MILLION IN UN SPECIAL FUND CONTRIBUTED BY VENEZUELA AND NORWAY. IN REGARD TO FOOTNOTE (D) CONDITIONS, FORMAL ANNOUNCEMENT OF REMOVAL WAS MADE BY UK, CANADA JAPAN AND NORWAY. SIMILAR ACTION IS STILL REQUIRED FROM U.S., SPAIN, AUSTRIA, AUSTRALIA AND BELGIUM TO PERMIT OPENING OF AGREEMENT FOR SIGNATURE WITH UNRESTRICTED CONTRIBUTION OF AT LEAST \$1 BILLION.

3. /LENDING POLICIES AND CRITERIA./ THERE WAS CONSIDERABLE, THOUGHTFUL DISCUSSION ON THIS AGENDA ITEM. THIS WAS VIEWED BY ALL DELS AS GENERAL GUIDELINES. USDEL PRAISED INTERIM SECRETARIAT ON ITS HIGH QUALITY REPORT AND EXPRESSED BELIEF THAT PAPER'S CONCERN WITH BOTH PRODUCTION AND SOCIAL JUSTICE DID NOT HAVE TO BE VIEWED IN TERMS OF ALTERNATIVES. BY INCREASING PRODUCTION UNCLASSIFIED

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OF THE SMALL FARMERS, IFAD COULD ALSO DEAL WITH THE EQUITY QUESTION. USDEL SUPPORTS IFAD VIEWING THE SMALL FARMER AS THE KEY TARGET GROUP FOR IFAD LENDING IN MIDDLE AS WELL AS LOW INCOME LDC'S, ALTHOUGH THE LATTER SHOULD GET MOST OF THE FUNDS. IN MAKING ALLOCATIONS AMONG COUNTRIES IFAD NEEDED TO BE CONCERNED ABOUT AN ECONOMY'S MACRO ECONOMIC PERFORMANCE AND A COUNTRY'S WILLINGNESS TO UNDERTAKE A BROADLY BASED PARTICIPATING STRATEGY. USDEL ASKED THAT IFAD BE CAUTIOUS, SINCE IT HAS LIMITED RESOURCES AND IT SHOULD COORDINATE WITH OTHER DONORS. WITH THESE LIMITED RESOURCES, IFAD CANNOT AFFORD TO FINANCE EITHER AGRO-INDUSTRIAL PROJECTS (E.G. FERTILIZER PLANTS) OR BE ENGAGED IN PERIPHERAL RURAL DEVELOPMENT ACTIONS. THS USDEL INDICATED THAT THE COUNTRY'S FINANCING CAPACITY AND NOT THE TYPE OF PROJECT SHOULD DECIDE THE TERMS OF IFAD LENDING. WHILE NOTING THAT THE POORER COUNTRIES WOULD REQUIRE IDA-TYPE CONCESSIONAL LENDING, USDEL EMPHASIZED THE NEED FOR HARDER TERMS IN CASES WHERE COUNTRIES HAD GREATER FINANCIAL CAPACITY. THE USDEL CAUTIONED THAT IFAD IS BREAKING NEW GROUND IN STRESSING BOTH PRODUCTION AND

SOCIAL JUSTICE. SUCH PROJECTS ARE MUCH MORE DIFFICULT TO DESIGN AND IMPLEMENT, THUS WE SHOULD NOT BE UNDER ANY ILLUSIONS RE IFAD'S ABILITY TO SPEED UP THE PROJECT IMPLEMENTATION CYCLE. FINALLY, USDEL NOTED OUR CONCERN THAT THE EXPERTS' GROUP WOULD NOT BE CONCERNED WITH OPERATIONAL GUIDELINES SINCE THESE CAN BEST BE WORKED OUT BY THE IFAD EXECUTIVE BOARD.

4. OTHER CATEGORY I COUNTRIES AND SOME CATEGORY II AND III COUNTRIES SHARED US EMPHASIS ESPECIALLY IN TERMS OF IFAD'S CONCENTRATION ON THE POOR FARMER; THE NEED FOR IDA-TYPE CONCESSIONAL LENDING TO THE POORER COUNTRIES; TERMS BASED ON COUNTRY RATHER THAN PROJECT CRITERIA; AND THE NEED FOR THE EXPERTS' GROUP TO AVOID OPERATIONAL QUESTIONS. HOWEVER, SOME CATEGORY III COUNTRIES WANT IFAD INVOLVEMENT IN AGRO-INDUSTRIAL AND INFRASTRUCTURE DEVELOPMENT. WHILE RECOGNIZING THAT THESE AREAS ARE IMPORTANT FOR AGRICULTURAL DEVELOPMENT SEVERAL CATEGORY I COUNTRIES, INCLUDING THE U.S. SAID THAT IFAD NEEDED TO LIMIT ITS PRIORITIES. INDIA ALSO MADE ITS EXPECTED UNCLASSIFIED

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CALL FOR PROGRAM LENDING AND LOCAL COST FINANCING.

5. /OTHER MATTERS./ IN CONSIDERING THE PREPCOM STAFF REGULATIONS, MANY DELS QUESTIONED THE NEED FOR DETAILED REGULATIONS FOR PRECOM THAT WAS LIKELY TO GO OUT OF EXISTENCE IN THREE MONTHS. RATHER THAN GIVE THE PREPCOM THE AIR OF PERMANENCE WHICH DETAILED STAFF REGULATIONS WOULD IMPLY, PREPCOM RECOMMENDED THAT THE INTERIM SECRETARIAT PREPARE A UNIFORM LETTER OF APPOINTMENT.

6. PRECOM ALSO TOOK A HARD LOOK AT THE DRAFT BUDGET. THERE WAS CONCERN THAT THE BUDGET BE BASED ON FACTS RATHER THAN ASSUMPTIONS. PREPCOM FOLLOWED UP THIS LINE IN THE DISCUSSION OF THE PREPCOM FINANCIAL REGULATIONS BY PRESSING INTERIM SECRETARIAT TO OPERATE WITHIN THE LIMITS IMPOSED BY THE \$272,000 UN LOAN AND OPPOSING EFFORTS TO SEEK ADVANCES FROM COUNTRIES TO COVER PREPCOM ADMINISTRATIVE EXPENSES. IT WAS SUGGESTED THAT TO DO SO RATHER THAN HIRING STAFF THE INTERIM SECRETARIAT SHOULD TRY TO OBTAIN NON-REIMBURSABLE SECONDMENTS FROM INTERNATIONAL AND NATIONAL AGENCIES.

7. THE DRAFT RULES OF PROCEDURE FOR THE GOVERNING COUNCIL AND EXECUTIVE BOARD OCCUPIED CONSIDERABLE TIME AND RESULTED IN A LEGAL SUB-GROUP (INCLUDING MEMBERS OF USDEL) CHAIRED BY U.S. REPRESENTATIVE, TO WORK OUT ISSUES RAISED DURING THE PLENARY. IN MIDNIGHT SESSION, THESE RULES WERE ADOPTED BY THE PRECOM WITH SEVERAL ISSUES LEFT OPEN, INCLUDING THE VOTING PROCEDURES AND THE OFFICIAL LANGUAGES FOR THE EXECUTIVE BOARD. PREPCOM AGREED AGAINST PARTICIPATION BY INTERNATIONAL INSTITUTIONS AT EXECUTIVE BOARD MEETINGS EXCEPT IN VERY LIMITED CIRCUMSTANCES,

SINCE THEY WOULD BE BUSINESS MEETINGS AND RESTRICTED TO MEMBERS OF THE EXECUTIVE BOARD AS IN OTHER IFI'S.

8. THE DRAFT RELATIONSHIP AGREEMENT WITH THE UN PROVIDED THE DUTCH AND THE NORDICS WITH AN OPPORTUNITY TO REOPEN THE QUESTION OF THE TYPE OF SPECIALIZED AGENCY RELATIONSHIP BETWEEN
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IFAD AND THE UN. DESPITE AN EARLY DECISION IN THE IFAD NEGOTIATIONS TO SEEK A BRETTON-WOODS TYPE RELATIONSHIP WITH THE UN, THE NORDICS AND DUTCH WERE STILL PRESSING FOR A FAO-TYPE AGREEMENT. THEY BELIEVE THAT THE UN IS THE HIGHEST POLITICAL ORGAN AND THEREFORE SHOULD BE ABLE TO MAKE RECOMMENDATIONS TO SPECIALIZED AGENCIES. U.S., KUWAIT, INDIA, CANADA, FRG AND JAPAN OBJECTED TO THIS POSITION AND THE NORDICS AND DUTCH WERE FORCED TO ACCEPT COMPROMISE LANGUAGE IN THE LEGAL SUBGROUP WHICH MAINTAINS IFAD'S INDEPENDENCE AND AN AGREEMENT SIMILAR TO THE EXISTING WORLD BANK/UN AGREEMENT.BEAUDRY

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